

WHITE PAPER 2000

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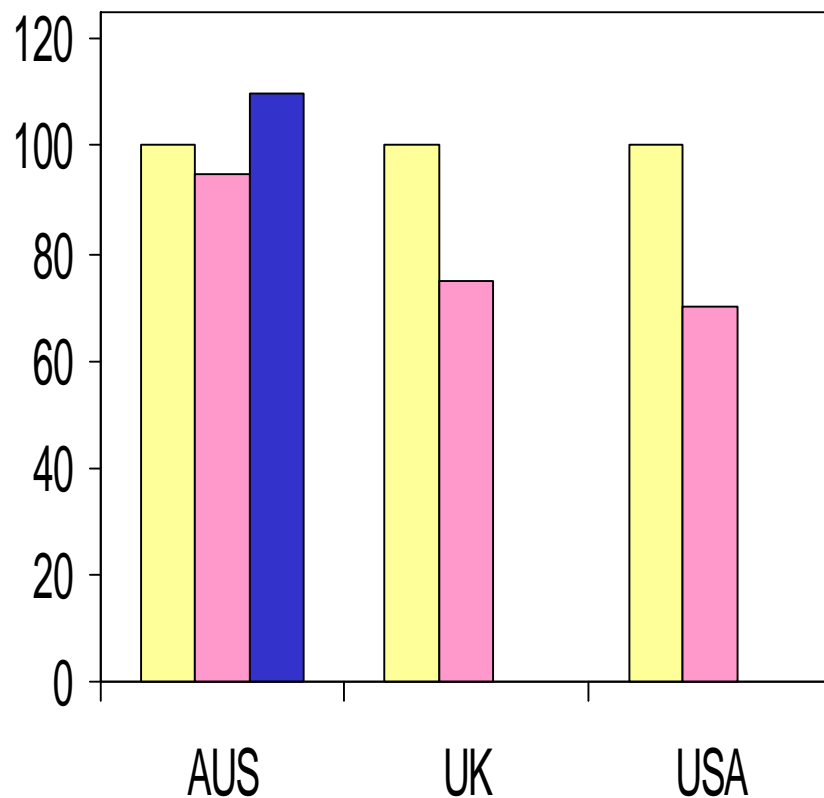
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Background

- Last major policy statement in 1997
- Crunch time is actually upon us - current plans are not affordable at current financial guidance
- The Government's micro economic reform agenda includes Defence; delivery of efficiencies is seen as non negotiable
- Operations - such as Timor - will always be funded; base level funding is the issue for WP 2000

Force Structure

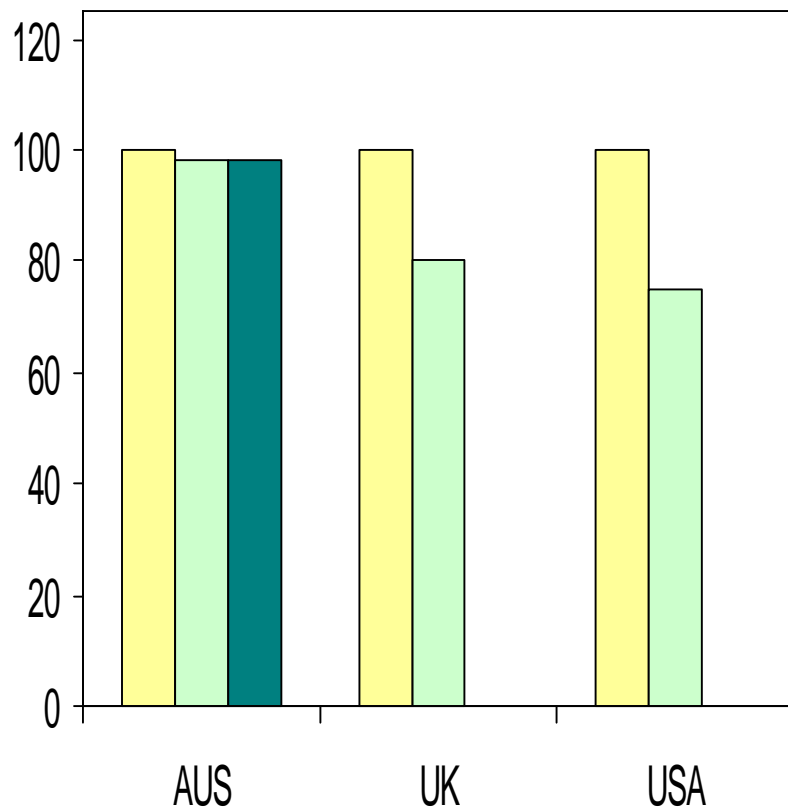
1990 Force Structure = 100



- Despite a 30% reduction in full time personnel, ADF force structure has only marginally decreased to date
- Current plans call for a significant **increase** in force structure to 2010:
 - surface combatants
 - mine countermeasures
 - attack helos
 - AEW&C
 - wide area surveillance
 - C4I systems

Funding

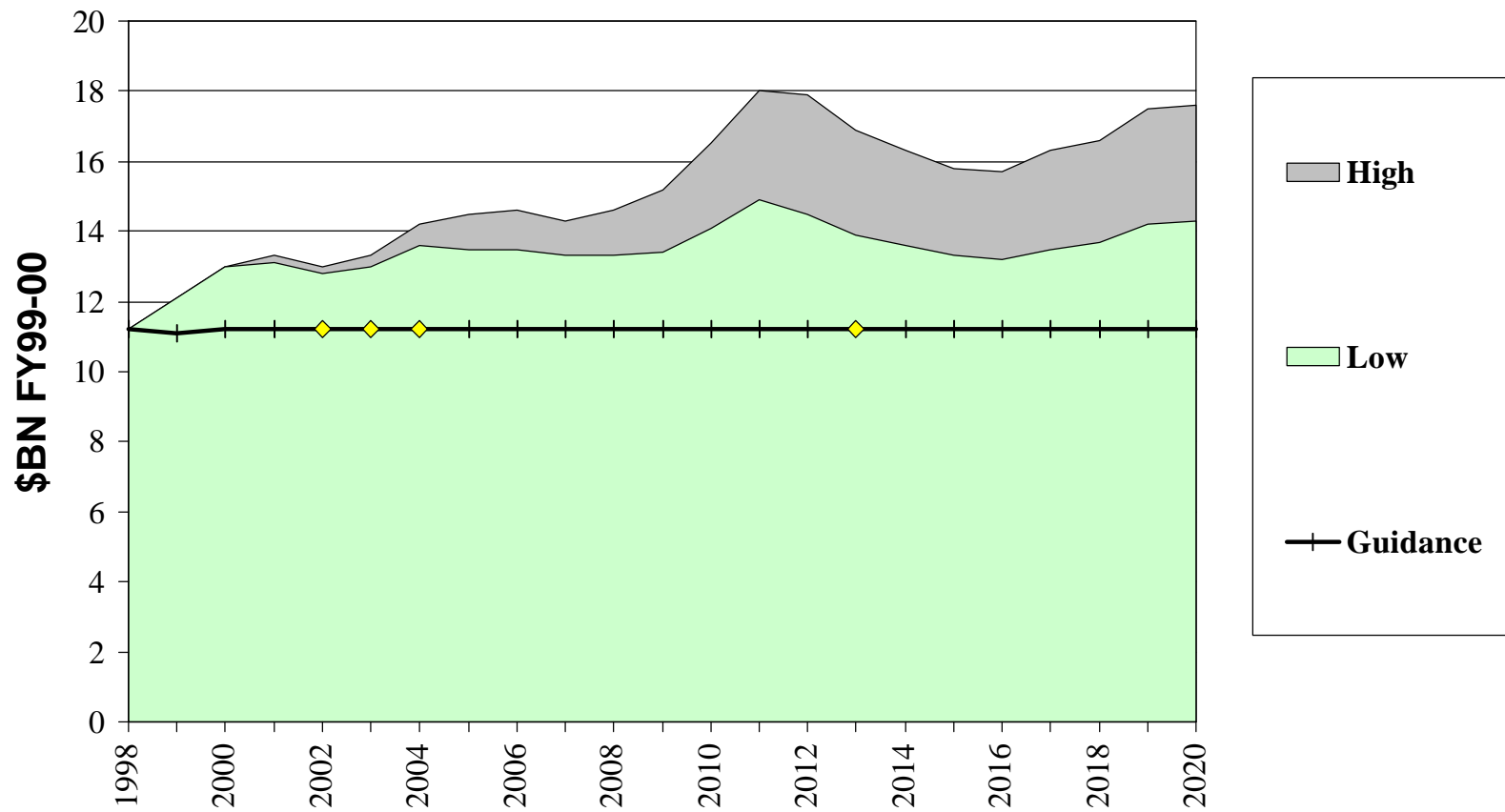
1990 Budget = 100 at constant \$s



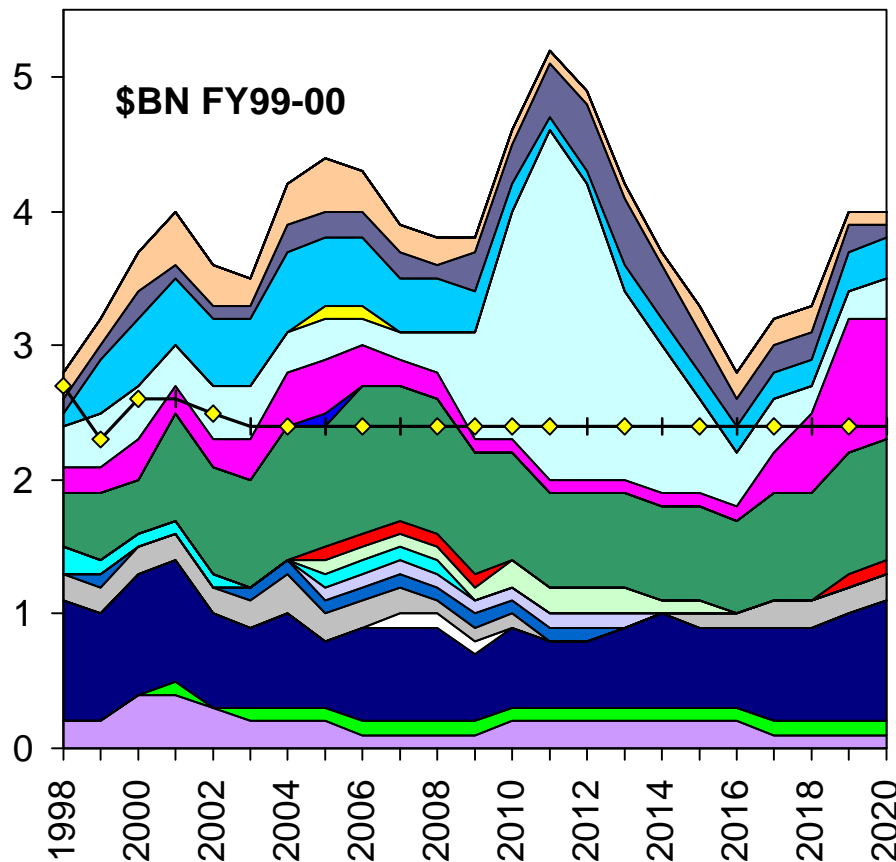
- Total funding has remained steady
- Balance between current forces and new investment also broadly steady
- Commercial Support Program (CSP) and Defence Reform Program (DRP) net savings maintained at about \$150m pa from FY96-97
- Prospect of additional funding not high
- Additional efficiencies critical

Potential Cost of Planned Force

FY98-99 to FY2020-21

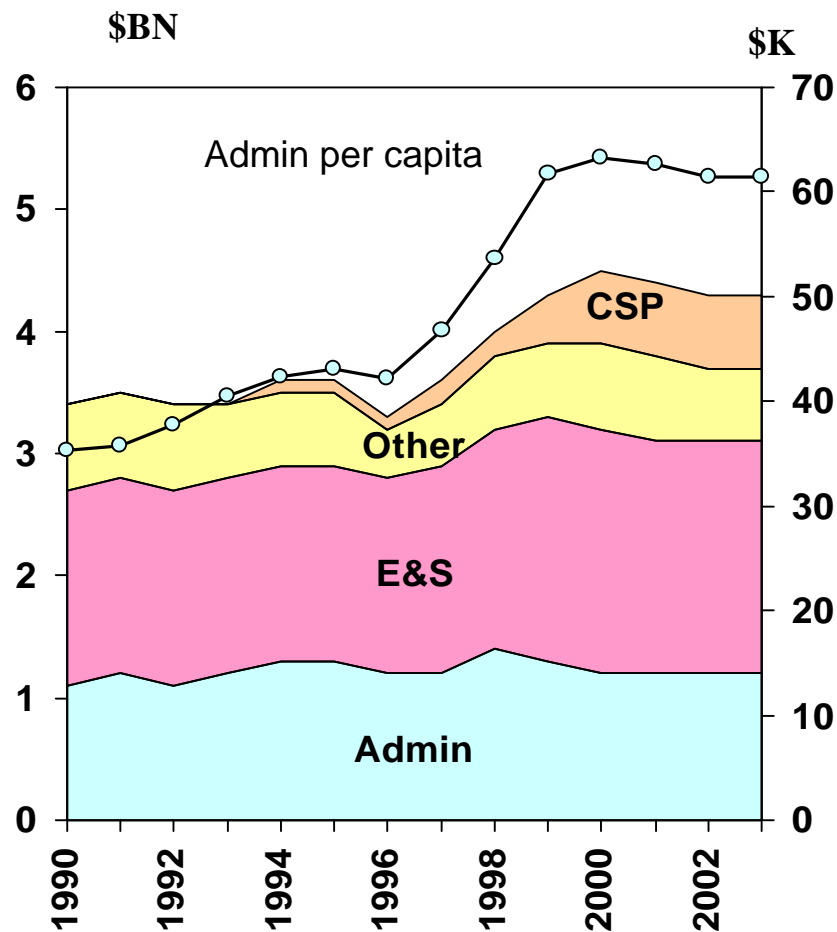


Investment bow wave



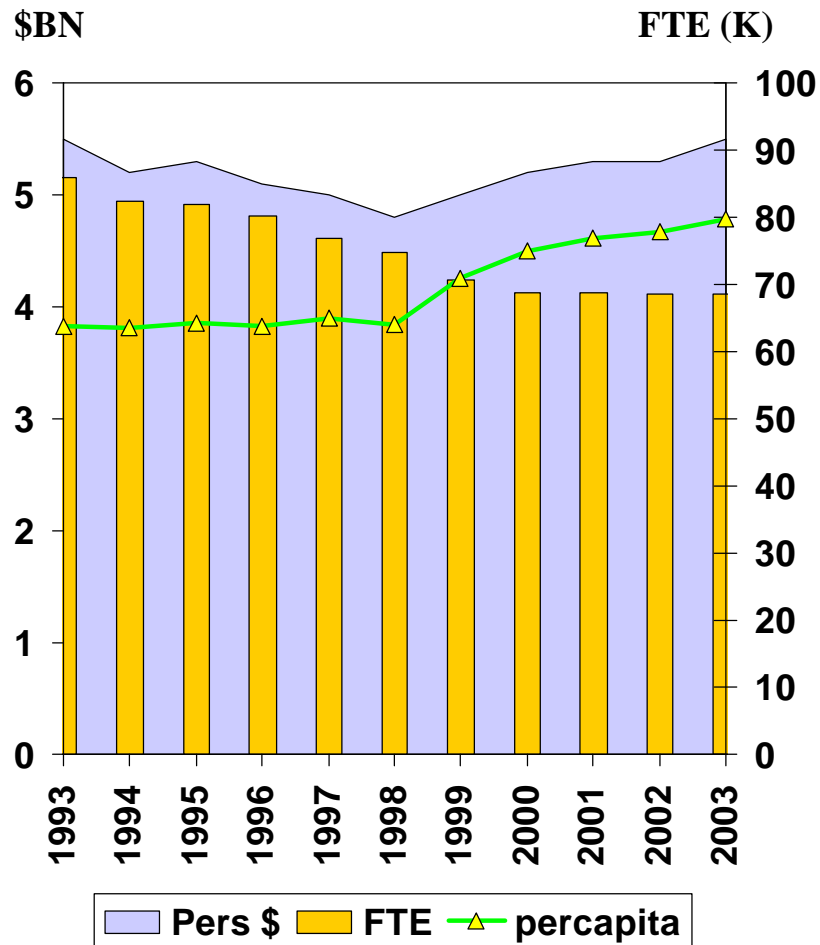
- Demands on investment programs are running at double projected funding
- Most of the demand is for upgrading or replacing current assets:
 - FFGs/DDGs
 - F-111/F/A-18
 - combat vehicles
 - helos
 - C130
 - P3
- Investment funding levels are not assured

Operations



- Operating costs have increased marginally, and are forecast to rise further:
 - **more advanced technology**
 - **planned additions to force structure**
 - **increased readiness**
 - **increased age of many systems; orphan systems**
- Impact on readiness and sustainability difficult to measure
- Efficiencies gained, but not enough

Personnel Cost Growth



- Personnel reductions have paid for real wage rises
- Cost of living adjustments now only partially funded
- Personnel numbers now largely fixed
- Per capita are rising as the less expensive part of the workforce is outsourced
- Future COLA (pt) and any real increases have to be found from....

Changes in Financial Management

- Traditional structures based upon Services and specialist agencies (personnel, acquisition, property)
- New focus on **Outputs** in an **Accrual** accounting framework
- Outputs focused on major platforms in Navy and Air Force, and organisations in Army:
 - surface combatants
 - strike aircraft
 - infantry brigades

Costing Force Structure Options (1)

- ➔ 10 Representative scenarios
 - ➔ 5 Force structures
 - ➔ ~100 Force elements

Forces cover a spectrum from enhanced to significantly reduced

- Manageable from a costing standpoint
 - forces are reasonably coherent packages
 - current and future costs can be clearly linked
 - alternative ROE and investment choices can be laid out

Costing Force Structure Options (2)

- **Force structure as currently planned (FYDP) is costed out to 2020**
 - new investment and alternatives
 - planned savings and efficiencies
 - all known cost pressures included
- **Each option is costed as a variation**
 - reduced (and increased) force numbers
 - less (and more) capable system upgrades
 - later (and earlier) in service dates
 - “wildcards”

Examining the Options

- Each option is tested against the scenarios by a moderated expert panel
- Judgements concerning own and adversary capabilities, risk, and overall significance are documented
- The relative importance of particular forces and capabilities is scored based upon the combined outcomes across all scenarios

Tradeoffs

Tradeoffs are for the Government to make;
the first tradeoff is between Defence & other priorities

- The second is between forces, readiness, & risk
- Each force structure option will have:
 - a range of tasks which it reasonably can and reasonably cannot perform
 - a risk assessment, for both potential adversary capabilities and the impact of mission concurrency
 - a range of probable costs, both for operations and recapitalisation

Questions